

**TIRNO-95-D-00059
Incurred Costs Audit
for Fiscal Year 1999**

December 2002

Reference Number: 2003-1C-027

This report has cleared the Treasury Inspector General for Tax Administration disclosure review process and information determined to be restricted from public release has been redacted from this document.



INSPECTOR GENERAL
for TAX
ADMINISTRATION

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

December 2, 2002

MEMORANDUM FOR DAVID A. GRANT
DIRECTOR OF PROCUREMENT
INTERNAL REVENUE SERVICE

A handwritten signature in cursive script that reads "Daniel R. Devlin".

FROM: Daniel R. Devlin
Assistant Inspector General for Audit (Headquarters Operations
and Exempt Organizations Programs)

SUBJECT: TIRNO-95-D-00059 Incurred Costs Audit for Fiscal Year 1999
(Audit #200310002.010)

The Defense Contract Audit Agency (DCAA) has audited the contractor's System Sciences Operation's November 3, 1999, certified final indirect cost rate proposal and related books and records for reimbursement of Fiscal Year (FY) 1999 incurred costs. The purpose of the audit was to determine the allowability of direct costs and indirect cost rates and establish audit determined indirect cost rates for April 3, 1998 through April 2, 1999. The proposed rates apply primarily to the flexibly-priced contracts.

The DCAA made an upward adjustment to the FY 1999 General and Administrative expense pool. This adjustment reflects audited allocations received from the Civil Group home office.

The DCAA considered the contractor's accounting system to be generally adequate for the accumulation, reporting, and billing of costs on government contracts. However, the DCAA did not receive the results of assist audits on subcontract costs. These costs are considered essential to the conclusion of this audit. Therefore, the DCAA qualified its audit report because these audits may disclose additional questioned costs.

The information in this report should not be used for purposes other than that intended without prior consultation with the Treasury Inspector General for Tax Administration regarding its applicability.

If you have any questions, please contact me at (202) 622-8500 or John R. Wright, Director at (202) 927-7077.

Attachment

NOTICE:

The Office of Inspector General for Tax Administration has no objection to the release of this report, at the discretion of the contracting officer, to duly authorized representatives of the contractor.

The contractor information contained in this report is proprietary information. The restrictions of 18 USC 1905 must be followed in releasing any information to the public.

This report may not be released without the approval of this office, except to an agency requesting the report for use in negotiating or administering a contract with the contractor.

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